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## Second Committee

**Summary record of the 13th meeting**
Held at Headquarters, New York, on Tuesday, 17 October 2006, at 10 a.m.

*Chairperson*: Ms. Intelmann (Chairperson) ..... (Estonia)
*later*: Mr. Barry (Vice-Chairperson) ..... (Senegal)
*later*: Ms. Intelmann (Chairperson) ..... (Estonia)

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*The meeting was called to order at 10.15 a.m.*

**Agenda item 51: Macroeconomic policy questions** (*continued*)

**(c) External debt crisis and development** (*continued*) (A/C.2/61/L.6)

**(d) Commodities** (*continued*) (A/C.2/61/L.7)

*Draft resolutions on external debt crisis and development, and on commodities*

1. **Mr. Le Roux** (South Africa), speaking on behalf of the Group of 77 and China, introduced draft resolutions A/C.2/61/L.6 and A/C.2/61/L.7.

2. Draft resolution A/C.2/61/L.6 updated General Assembly resolution 60/187 to reflect the progress achieved so far by the World Bank, the International Monetary Fund (IMF) and the African Development Bank (ADB) with respect to the Multilateral Debt Relief Initiative, as well as the outcome of the spring meeting of the Bretton Woods institutions and the WTO meeting in Singapore. Although some of the heavily indebted poor countries had received debt relief under the Initiative, debt remained a problem of crisis proportions for many developing countries. Debt sustainability was extremely important for developing countries, because it would help ensure that they achieved the internationally agreed development goals, including the Millennium Development Goals. Many paragraphs of the draft remained unchanged from the previous year's resolution because they had not yet been fully implemented.

3. Draft resolution A/C.2/61/L.7 was equally important, as many developing countries relied on the export of commodities. Addressing factors such as trade-distorting agricultural subsidies and lack of market access was key to enabling developing countries to mainstream their products into the global markets. The resolution had been updated to reflect current trends and positions.

**Agenda item 52: Follow-up to and implementation of the outcome of the International Conference on Financing for Development** (*continued*) (A/C.2/61/L.5)

*Draft resolution on follow-up to and implementation of the outcome of the International Conference on Financing for Development*

4. **Mr. Le Roux** (South Africa), speaking on behalf of the Group of 77 and China, introduced draft resolution A/C.2/61/L.5, which was short and concise, and contained no issues of substance. Its main aim was to carry out the mandate of the Monterrey Consensus, as well as that of General Assembly resolution 60/188 and was concerned solely with the modalities and mechanisms for the planned review conference.

**Agenda item 69: Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance** (*continued*)

**(b) Special economic assistance to individual countries or regions** (*continued*) (A/C.2/61/L.9)

*Draft resolution on humanitarian assistance and reconstruction of Liberia*

5. **Mr. Sele** (Liberia) introduced draft resolution A/C.2/61/L.9 and noted that, since the beginning of the conflict in Liberia, his delegation had introduced successive draft resolutions calling for assistance for the rehabilitation and reconstruction of the country.

**Agenda item 51: Macroeconomic policy questions** (*continued*)

**(a) International trade and development** (A/61/272 and A/61/15 (Parts I-IV))

6. **Mr. Panitchpakdi** (Secretary-General, United Nations Conference on Trade and Development (UNCTAD)), introducing the Secretary-General's report on international trade and development (A/61/272), said that, while the global economy continued to grow and trade continued to expand, the impact of the underlying globalization process on developing countries had been mixed. The situation was aggravated by the asymmetry between the multilateral trading system, on the one hand, and the international monetary and financial systems, on the other, as well as by global economic imbalances. The

uncertainty arising from the suspension of the Doha Round was another cause for concern.

7. Since 1950, the global economy had more than quintupled in size. There appeared to be some correlation between growth in trade and growth in development, or GDP, although the causality of that relationship was not always clear. Over the past decade, developing countries' share of world trade had risen from 27 per cent to 34 per cent, while trade had increased as a share of their GDP from 49 per cent to over 65 per cent. The expansion of South-South economic relations had been a major positive factor in that process. The rise in the number of large transnational corporations from South economies was a reflection of that trend, as was the marked increase in South-South investment cooperation.

8. Although international trade and investment could be a powerful engine of growth, development and poverty reduction, experience had shown that trade worked in favour of development only when the conditions were right. A number of countries were still on the margins of global trade networks and had yet to participate beneficially in buoyant international trade transactions. It was clear that developments in the multilateral trading system were important for developing countries. However, developing countries — and the least developed countries, in particular — would require substantial development of their productive capacities if they were to benefit from that system. The trade liberalization agenda must be complemented by a trade-for-development programme that extended well beyond the Doha process.

9. The suspension of the trade talks had reduced countries' prospects for export-led growth and development, and might detract from any significant development yields expected from progress achieved in the negotiations thus far. Many development-related areas of the Doha Development Agenda had been put on hold, and the suspension of the Round hurt the world's poorest countries most acutely. If the current impasse persisted, it might undermine their confidence in the multilateral trading system itself. It might also send a negative signal to the world economy and even encourage renewed protectionism. Bilateral and regional trade initiatives with deeper commitments were already proliferating, and countries were also likely to resort increasingly to dispute settlement. The international community must bridge the various divides so that a fresh phase of fruitful negotiations could be launched. Members of the World Trade Organization must show flexibility, but it was also essential to sustain the ambitions of the Round's development dimension.

10. The Committee had a unique opportunity to send a strong signal to the international community that it should work towards an early resumption of the negotiations. Although it would be possible to re-launch the Round and obtain the desired outcome, that outcome should have at least three goals. First, it was important to secure substantially increased market access and entry opportunities for developing countries' traditional and new exports of agricultural and non-agricultural products. Second, sufficient policy autonomy or flexibility was needed for developing countries to achieve their development objectives. Universal access to essential services must be provided, and new and dynamic sectors of world trade must be exploited. Third, if developing countries were to reap opportunities from trade, they must have the capacity to do so. They must encourage quality investment and stimulate productive infrastructure development, and investment in health, education, science and technology. A key role would be played by public-private partnerships, and the process must be accompanied by good governance, greater domestic savings and investment, and a greater role for women.

11. Since the 2005 World Summit, the concept of "aid-for-trade" had acquired impressive momentum, and should be implemented and supported. The Trade and Development Board of UNCTAD had recently affirmed the pivotal role to be played by the Conference in that process. With the recent acceleration of global trade, many countries had benefited from more investment, industrial development, employment and income growth. But the benefits were unevenly distributed and posed considerable adjustment challenges for developing countries. The magnitude of those challenges, and the ability to benefit from the opportunities, depended on each country's stage of development, geographical situation, resource endowment and national development strategy.

12. Those strategies were designed and implemented quite differently from past practice, partly because most developing countries were much more open to international trade and finance, and partly because the system of international rules and obligations had expanded considerably. As a result, the autonomy of

individual Governments to shape their own development policies had somewhat narrowed. However, that did not imply that openness or international rules were, by themselves, inimical to development. On the contrary, ever-increasing global interdependence provided a strong rationale for a well-structured system of global economic governance that could be beneficial to all countries.

13. The multilateral trade regime supervised by WTO contributed to certainty and predictability in international trade, and trade was an important component of development. However, unlike the trading system, the international monetary and financial arrangements were not organized around a multilateral rule-based system that applied a specific set of core principles to all countries. The non-regulation of the financial system posed a huge challenge for many developing countries, but the global governance of international monetary and financial relations also needed to be improved, in order to avoid global imbalances and distortions in international trade relations that could be even more damaging than trade restrictions to the allocation of global resources.

14. The current buoyancy in commodity prices was largely dependent on increased demand from dynamic developing countries — particularly China — and was unlikely to continue. However, many developing countries that imported large quantities of food and fuel were facing difficulties. It was therefore imperative to implement international policies to reduce market distortions. Another emerging feature on the trade and development landscape was the rise in migration. The financial gains from liberalizing the movement of labour would be far greater than those from development aid, but innovative ways would have to be found to reverse the brain drain and foster "brain gain" and skills development in home countries.

15. Access to affordable energy resources would be crucial for developing countries' agricultural and industrial growth and for the provision of universal access to essential services such as electricity and water. The future management of oil markets would be a major concern to trade and development policymakers everywhere, and it would be equally important to make alternative energy resources commercially viable. For oil-exporting countries, on the other hand, the rising costs of conventional energy sources created opportunities to generate earnings and invest their windfall revenues into diversification and the development of productive capacities for sustainable growth.

16. Despite the unfortunate suspension of the Doha Round, trade and development remained at the forefront of the international development agenda. It was important to ensure that the opportunities offered by multilateral trade liberalization were realized by the developing countries that lacked the capacity to exploit them. That was where UNCTAD played a critical role both by helping countries in the negotiating process and by developing the capacity needed to trade.

17. **Mr. Ould Mohamed Lemine** (President of the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD)), introducing the report of the Trade and Development Board on its thirty-eighth executive session (A/61/15 (Parts I-IV)), said that in addition to its regular and executive sessions the Board had held the 2006 Mid-term Review of UNCTAD XI and the São Paolo Consensus of 2004.

18. The issues of globalization and coherence between national development strategies and international processes had featured prominently in the policy dialogue of the Mid-term Review of the implementation of the São Paolo outcomes. The 2006 UNCTAD *Trade and Development Report* underpinned the substantive consideration of those issues, and also covered the question of global partnership and national policies for development.

19. Developing countries had felt that the situation with respect to globalization had become far more serious since the São Paolo consensus. In their view, the international monetary, financial and trading systems continued to be skewed against developing countries, presenting a danger not only to equitable and sustainable development, but also to global peace and security. Development-oriented coherence between the international monetary and trading systems should be sought as a component of a sustainable world economy. There should be flexibility to reflect the needs of developing countries, and the research conducted by UNCTAD should do more to develop practical solutions. Several developed countries had stressed that the current global economic problems could be addressed through private-sector-led growth. In their opinion, the recent trend in economic growth experienced by developing countries had been largely

due to reforms and sound economic policies undertaken in the 1990s.

20. The assessment of globalization for development had been the focus of the Board's interactive debate during the Mid-term Review. In the opinion of some delegations, globalization had not been an "active" process, and many countries, particularly the least developed countries, had been excluded. Despite liberalization across countries, trade barriers against exports from developing countries remained. Free trade and market liberalization alone would not lead to the successful achievement of the Millennium Development Goals, particularly poverty reduction. Other delegations had cautioned that emphasizing only the negative aspects of globalization was unhelpful. Globalization could generate opportunities, and the private sector often played an important role in ensuring that developing countries enjoyed its benefits.

21. There had been broad agreement among delegations on the need for greater coherence between national development strategies and international processes. Although there was no "one-size-fits-all" policy for development, the creation of a regulatory environment was considered of paramount importance. Delegations had emphasized the importance of a global partnership between the different stakeholders, including civil society. While developing countries were responsible for their own development, it was crucial to foster an enabling international environment. International processes should support and complement national development objectives. There was an urgent need to address the issue of development-oriented coherence within all structures of economic governance.

22. The Board had engaged in a lengthy discussion on the Review of Progress in the Implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, and had adopted agreed conclusions. There had been consensus on the importance of full and speedy implementation, by all stakeholders, of the Millennium Declaration, as well as the actions and commitments provided for in the Brussels Programme of Action for achieving poverty-reduction goals in least developed countries. However, it had been noted that the progress made thus far had been mixed. The concern had also been expressed that most least developed countries would not achieve the goal of halving extreme poverty by 2015.

23. The least developed countries should continue to integrate the Brussels Programme of Action into their national strategies and policies, but a well-managed engagement by development partners was equally critical to the success of those countries' development efforts. Improving the quality of development aid and aid effectiveness remained a challenge, and a major improvement in the approach to aid policies was highly desirable, if the least developed countries were to achieve greater effectiveness in their public expenditure. There was a need for a "paradigm shift" in the development policies of the least developed countries. At the national level, the development of productive capacities should be placed at the centre of poverty-reduction strategies. At the international level, there was a need not only for more aid, but also for a rebalancing of the composition and allocation of aid by sector. Those measures should be complemented by further comprehensive debt relief measures, improved market access for all products of export interest to the least developed countries, and special and differential treatment in the multilateral trading system.

24. The current year's discussions on Africa had been based on the UNCTAD secretariat's 2006 report on Economic Development in Africa entitled "Doubling Aid: Making the 'Big Push' Work". The report had discussed how the commitment by the international community to double the amount of aid to Africa could help to jump start African economies and ensure sustained growth. It underscored that major reforms in institutions and current practice were essential if a "big push" for African development was to succeed, since there was an increasing tendency to concentrate aid in social sectors at the expense of productive sectors, infrastructure and agriculture. The report also questioned the logic of channelling most aid through technical cooperation and project support, as those forms of aid distribution were expensive and often resulted in the purchase of goods and services provided by the donors themselves.

25. Aid should have a much larger multilateral component, and be administered preferably by a special fund established under the United Nations. Lessons could be learned from successful aid experiences such as the Marshall Plan and earlier aid flows to countries that were currently considered Asian tigers. Aid delivery would then be less costly and more coordinated, and largely channelled through budget support on the basis of recipients' plans and priorities.

It would be an integral part of the resource envelope used to execute well-defined and country-owned medium-term to long-term development strategies, and would significantly reduce conditionalities imposed on recipient Governments. Many delegations, including the African Group, had supported the report's findings and recommendations. Others, such as the European Union, had found it useful as it raised — in frank terms — fundamental questions regarding the quality of aid and the ways in which it was distributed.

26. While the Trade and Development Board had been unable to arrive at a consensus on the recommendations in the report, it had agreed that it raised fundamental questions relating to the need for increased ownership of aid programmes; good governance at all levels; the share and volume of multilateral aid; multilateral structures and modalities for effective aid delivery; and learning from positive aid experiences. It invited all Governments to give due consideration to the issues raised with a view to further enhancing the impact and effectiveness of aid. The Board had further encouraged UNCTAD to continue to undertake critical in-depth analysis and provide policy advice on African development with the objective of attaining the Millennium Development Goals and implementing the New Partnership for Africa's Development (NEPAD).

27. The Trade and Development Board had also conducted an in-depth review of developments and issues in the Doha negotiations, with the participation of the Secretary-General of UNCTAD and the Director-General of the World Trade Organization (WTO). With a narrow window of opportunity, between November 2006 and March 2007, remaining to relaunch the Doha Round if it was to be concluded in 2007, there had been consensus that that opportunity should not be missed. All countries had a responsibility to demonstrate political will and flexibility commensurate with their capacity to contribute, but a leadership role needed to be assumed by the major trading partners.

28. Many participants had highlighted the centrality of agriculture in the negotiations, stressing the need to achieve a balance between agriculture and non-agriculture market access (NAMA). Many had emphasized the important role of UNCTAD in strengthening South-South trade cooperation, including through the third round of negotiations on the Global System of Trade Preferences Among Developing Countries (GSTP), and in supporting countries in the process of accession to WTO membership.

29. The deliberations on the report on UNCTAD's assistance to the Palestinian people (TD/B/53/2) were reflected in the Board's report. The current year's discussions had focused on the extreme economic decline affecting the occupied Palestinian territory in 2006 and the immediate prospects of further collapse if current constraints were not removed. Many delegations had stressed the need for urgent policy action to link relief to development in the context of preparations for statehood. There was widespread agreement that the UNCTAD programme of technical cooperation had delivered significant concrete results on the ground and had been conducted professionally and in a manner that amplified development gains for the Palestinian people despite the continuing humanitarian crisis. All had welcomed the continued efforts by the secretariat to ensure implementation of the Bangkok and São Paulo mandates in that area, including by mobilizing adequate resources for UNCTAD technical assistance to the Palestinian people.

30. **Ms. Houngbedji** (Benin) said that, whatever the state of the Doha negotiations, the developed countries should fulfil the commitments they had made at the Hong Kong Ministerial Meeting. The issues relating to the least developed countries, whose situation was truly precarious, should not be separated from the rest of the issues under negotiation.

31. She also asked whether the new Aid for Trade Initiative would replace the Integrated Framework for Trade-Related Technical Assistance or coexist harmoniously with it.

32. **Mr. Panitchpakdi** (Secretary-General, United Nations Conference on Trade and Development) said that he shared the concern of the least developed countries at the suspension of the Doha Round and specifically its effects on the treatment of cotton, which was important for Africa and in particular for Benin. Unfortunately, the consensus of the WTO negotiations had been that the issue of cotton could be taken up only as part of the agriculture negotiations, and it was therefore on hold indefinitely owing to the indefinite suspension of negotiations. However, the issue was also to be monitored and supported by various development institutions including the World Bank, UNCTAD and some major donor countries. That support to the cotton-growing countries should continue at the same pace as agreed some years ago.

33. Member countries were working to improve and strengthen the enhanced Integrated Framework. The enhancement would involve upgrading financial support to countries that had finished their diagnostic study of trade integration, to enable them to move ahead with some of the projects resulting from the diagnosis. The current financial allocation of US$ 1 million per country was insufficient for that purpose and it was to be hoped that the enhanced Integrated Framework would obtain adequate financial support to enable mainstreaming of trade policies into the Poverty Reduction Strategy Paper (PRSP) process.

34. With regard to the Aid for Trade Initiative, the Hong Kong Ministerial Meeting had called on the Director-General of WTO to set up a task force to examine the issues. Apparently, the findings of the task force had been presented to the Director-General, who would submit the recommendations to the General Council. The key issue was how to operationalize the Initiative. In the view of UNCTAD, it was not appropriate to wait for the trade negotiations to be completed and the Initiative should be launched as quickly as possible. The funding provided under the Initiative should take the form of grants rather than loans which would place an extra burden on the recipient countries. UNCTAD was anxious to play a pivotal role in the Initiative.

35. **Mr. Le Roux** (South Africa), speaking on behalf of the Group of 77 and China, reported that, at their thirtieth Annual Meeting on 22 September 2006, the Foreign Ministers of the Group had expressed serious concern over the suspension of the WTO negotiations, which jeopardized fulfilment of the development promises of the Doha Round. They had called on the developed countries to demonstrate the flexibility and political will necessary for breaking the current impasse in the negotiations. Recognizing the mandates contained in the Doha Declaration, the WTO General Council decision of 1 August 2004 and the Hong Kong Ministerial Declaration, they had called for a prompt resumption of the negotiations to place the needs and interests of developing countries, in particular the least developed ones, at the heart of the Doha Work Programme.

36. The Group of 77 and China noted with concern that the suspension of the trade negotiations might result in further protectionism. Without a rule-based multilateral trading system, trade-distorting policies would persist, threatening the credibility of the trading system and jeopardizing developing countries' prospects for generating additional income from agricultural exports. The Group further noted with concern that developing country exporters were increasingly facing non-tariff barriers, especially trade-distorting technical barriers and standards that were often stricter than what had been internationally agreed, limiting the effective entry of developing countries' products into key markets with the problems being exacerbated by the difficulty of quantifying and categorizing such non-tariff barriers.

37. While international trade could be a powerful engine of growth, development and poverty eradication, several problems existed in various aspects of the Uruguay Round Agreements. For example, the Agriculture Agreement reflected the double standards of developed countries, which called for developing countries to open up their markets, while maintaining huge subsidies and high tariffs that depressed global prices and incomes of farmers in developing countries, undermining their development potential. For industrial products, the developed countries retained high tariffs in areas in which most developing countries had a comparative advantage. Furthermore, efforts of developing countries to add value to their agricultural products and to industrialize were discouraged by higher tariffs on manufactured goods. Ten years after the Uruguay Round, the developing countries were still waiting for truly equitable, free and fair international trade.

38. Many developing countries, least developed countries and small vulnerable economies remained marginalized from international trade in terms of both goods and services. Their participation remained vulnerable owing to various factors, including structural problems in building competitive supply capabilities and diversifying production towards dynamic sectors. In that regard, WTO was expected to play a facilitating role by establishing fair and balanced rules in a transparent, predictable and non-discriminatory manner.

39. The Group of 77 and China once again stressed the importance of facilitating the accession of all developing countries, in particular the least developed countries, that applied for WTO membership, consistent with the organization's criteria and taking into account their development level.

40. **Mr. Ishar Jenie** (Indonesia), speaking on behalf of the member countries of the Association of Southeast Asian Nations (ASEAN), expressed the Association's

appreciation for the Secretary-General's report on International trade and development in document A/61/272, which gave a comprehensive update of developments in international trade over the past year and served as a good basis for the deliberations of the Committee.

41. The ASEAN Ministers of the Economy had expressed their deep concern and disappointment at the suspension of the Doha Development Agenda negotiations in July 2006, which had systemic implications for the multilateral trading system and for the liberalization of trade in goods and services. As a group of developing and least developed countries with open economies, ASEAN attached great importance to the Doha negotiations, which were critical to economic growth and development. A successful round would benefit developing and least developed countries by ensuring market access through reductions in tariffs, in trade-distorting domestic subsidies and in other non-trade barriers. ASEAN urged WTO members to resolve their differences on those issues expeditiously, showing willingness to make the necessary adjustments in their positions to enable the objectives of the negotiations to be achieved. ASEAN attached particular importance to the development dimension of the negotiations, including strengthening the provisions on special and differential treatment embodied in the Doha Declaration and the Hong Kong Ministerial Declaration.

42. Trade was an important engine of economic growth, development and poverty eradication, and an important vehicle for fulfilment of the Millennium Development Goals. In that regard, South-South trade played a major role. Indeed, trade had been a major contributor to ASEAN's economic well-being, with its exports having increased by 13.5 per cent from US$ 569.4 billion in 2004 to US$ 646 billion in 2005. That upward trend had continued in the first quarter of 2006, with a 17.7 per cent growth compared to the same period in 2005.

43. At the twelfth ASEAN Summit in December 2006, ASEAN leaders would meet in the Philippines to discuss efforts to create an ASEAN Economic Community (AEC). Meanwhile, member countries were working expeditiously towards the full realization of the ASEAN Free Trade Area (AFTA). In support of those initiatives, steps were being taken to bring about a free flow of goods between ASEAN countries. Building on major accomplishments in such areas as customs cooperation and transportation, ASEAN senior officials were currently developing a comprehensive trade facilitation work programme.

44. The Association was also committed to liberalizing and integrating the service sector, and progressively eliminating all forms of restrictions and market access limitations by 2015. ASEAN countries were in the process of finalizing the fifth package of commitments under the ASEAN Framework Agreement on Services, which was expected to be endorsed and signed at the Summit in December.

45. Within ASEAN, the low-income, least developed and landlocked members, and also the middle-income developing country members, continued to face challenges in their efforts to integrate fully into the global economy. Allowances should be made in the form of special and differential treatment, and technical assistance and capacity-building should be enhanced to help such countries reap the benefits of international trade. It would also be useful to establish immediate duty-free and quota-free market access for all exports from least developed countries to developed country markets, as well as to markets of those developing countries in position to offer such access.

46. The Association attached great importance to an open, non-discriminatory and inclusive multilateral trading system. It thus fully supported the accession of Viet Nam and Laos to WTO, underlining the importance of ensuring fair and equitable terms of accession, commensurate with countries' trade, financial and development needs.

47. Finally, ASEAN appreciated and continued to support the constructive role that the United Nations played in the development of a fair, transparent and equitable multilateral trading system. While the actual trade liberalization commitments were negotiated in WTO, the United Nations and its specialized agencies played an equally important role in technical assistance, capacity-building and above all in mainstreaming development into its work.

48. **Mr. Ananiev** (Russian Federation) said that a successful conclusion to the WTO Doha Round could have stimulated economic growth and lowered poverty rates, whereas its suspension sent a negative message about the future of the world economy and could lead to a renewal of protectionism. It would also affect efforts to make international trade fairer. Careful thought should be given to the principles on which trade talks should be based.

49. The question of restarting the Doha Round had been extensively discussed at the summit of the Group of Eight (G-8), held in St. Petersburg in July 2006. The G-8 members had made a statement about their commitment to a multilateral trade system and the political will of the WTO member States to carry the process forward. They had also reaffirmed their commitment to strengthening their collective efforts to combat piracy and counterfeiting. They had welcomed the progress in the WTO accession negotiations of the Russian Federation and supported its expeditious accession to WTO. In that connection, he said that, although accession to WTO remained one of his Government's main priorities, the requirements imposed should be realistic. His country's accession should not be used to try out ideas and concepts that were still under discussion within WTO itself. At the same time, the process would be an important aspect of the Russian Federation's internal economic and legal reforms.

50. The Russian Federation supported the aims of the Doha Round, particularly with regard to the lifting of agricultural subsidies, since it was among the countries that suffered the effects of its partners' export subsidies. Removal of such subsidies would greatly increase the competitiveness of Russian farmers. His delegation also supported the liberalization of services, so long as it took place simultaneously in all WTO member countries and the market for services opened simultaneously in every country. It was opposed to unilateral concessions, when its trading partners declined to meet it halfway. The Russian Federation was working actively towards the liberalization of international trade by lowering import duties and granting preferential terms of trade to imports from many developing countries, especially the least developed countries. On the latter, import limits and other special protection measures were not imposed.

51. UNCTAD was one of the leading forums for dealing with current and future problems arising out of the liberalization of world trade and services. UNCTAD should continue to cooperate with developing countries and countries with economies in transition to help them improve their infrastructure for trade development and integrate fully into the multilateral trade system, ultimately as members of WTO. His delegation did not, however, agree with the stated intention of some countries to make UNCTAD concentrate exclusively on such activities and to transform it into an agency for helping developing countries. The mandate of UNCTAD should remain unchanged as the main United Nations forum for the consideration of the problems of trade and development and the associated questions of investment, finance and technology transfer.

52. **Mr. Akram** (Pakistan) said that his delegation endorsed the main conclusions in document A/61/272.

53. It was encouraging that, despite the fact that efforts to create an open and equitable multilateral trading system had always been weighted against the developing countries, so many developing countries had succeeded in utilizing trade to propel growth and development. Policy space must continue to be available to those countries to enable them to acquire national capacity for production and trade.

54. The onus for striking the "grand bargain" required to move the Doha Round forward should not be placed on developing countries, and the main responsibility rested with the "key players". The development goals of the Doha negotiations should not be sacrificed for the sake of realizing an early but empty conclusion.

55. Significant and equitable liberalization in agriculture was the key to the successful conclusion of the Doha Round, and renewed negotiations should build on the progress made at the Sixth WTO Ministerial Conference. The commitment to eliminate all forms of export subsidies by 2013, although significant, was not sufficient. Parallelism must be achieved by eliminating programmes for export credits, export credit guarantees and insurance extending beyond 180 days, and ensuring front-loading of commitments, with 50-per cent elimination in the first year of the implementation period. Early action on eliminating cotton subsidies was essential.

56. As to domestic support, there was a need for a substantial overall reduction of total aggregate measurement of support, capping of product-specific support, further reduction of *de minimis* support in developed countries and action to ensure that blue box criteria were less trade distorting. Green box criteria should be reviewed and clarified periodically.

57. With regard to market access for agricultural products, a substantial overall reduction in tariffs was needed urgently. Consideration should be given to capping tariffs at 100 percent for developed countries and 150 percent for developing countries. In order for developing countries to retain much-needed flexibilities,

they also should be able to self-designate special products and benefit from a special safeguard mechanism.

58. His delegation supported a simple "Swiss" tariff-cutting formula with two coefficients based on objective criteria: coefficient 6 for developed countries and coefficient 30 for developing countries. It welcomed the agreement in principle that developing countries should be able to keep tariffs for their sensitive sectors unbound or outside the ambit of formula cuts.

59. His delegation hoped that the plurilateral approach adopted to advance progress in the services sector would produce the desired results, particularly commitments to liberalize labour services.

60. Although encouraging progress had been made with respect to trade facilitation, the negotiations should also address the new difficulties that had arisen owing to security concerns. Developing countries should be given technical and financial assistance to address those concerns, which should not be applied in a discriminatory manner. Furthermore, it was essential to address boldly and sincerely the various non-tariff barriers, market access barriers and residual bias in tariff structures, since they reduced the credibility of multilateral trade rules and the incentives for countries to enter into reciprocal trade liberalization agreements.

61. His delegation endorsed the objective of special and differential treatment for the developing countries, especially low-income and least developed countries. It hoped that the implementation of the recommendations of the task force on Aid for Trade would generate the additional resources required to assist weaker economies with capacity-building, and agreed that UNCTAD should play a meaningful role in that regard. The Aid for Trade Initiative should be implemented in conjunction with greater market access for the exports of developing countries, and capacity-building should be promoted as an objective of socio-economic development, not merely in the context of expanded exports and trade. To that end, the United Nations Development Programme (UNDP) and the Bretton Woods institutions should create a special funding window to help low-income countries build the capacity for expanded production, trade and development.

62. Sustained economic growth and trade could be promoted significantly by regional economic integration, which was a strategic objective of his country. However, the proliferation of regional trade agreements and free trade agreements could distort international trade and create a plethora of trade rules that proved discriminatory and difficult to administer and implement.

63. The regime governing trade-related investment measures must be kept under review to ensure that it contributed to, and did not erode, the industrialization objectives of lower-income and emerging economies. In addition, WTO, the World Intellectual Property Organization and UNCTAD should conduct a comprehensive review of the regime governing the trade-related aspects of intellectual property to ensure that it was facilitating, not hindering, development.

64. UNCTAD must continue its tradition of producing high-quality analysis, forecasts and recommendations to advance the goals of fair and open trade in the service of development. It should also play an active role in monitoring the achievement of the Millennium Development Goals and the internationally agreed development goals; offer proposals to ensure the advancement of development objectives in trade negotiations in WTO and elsewhere; identify new challenges and opportunities; encourage private and public sector actors to implement agreed measures to stabilize commodity prices; promote FDI through the development of market and State mechanisms; and provide lower-income countries with advice and assistance on capacity-building for production and trade. Adequate allocations in the United Nations budget and generous voluntary contributions should be provided to support the work of UNCTAD.

65. *Mr. Barry (Senegal), Vice-Chairperson, took the Chair.*

66. **Ms. Midaoui** (Morocco) said that, in order for international trade to promote growth and contribute to the achievement of the Millennium Development Goals, flexible rules and structures were needed to ensure the equitable distribution of the benefits of trade within and among countries. Although the Doha Round sought to place international trade at the service of poverty reduction and sustainable development, the rules governing the international trading system were not flexible enough to enable poor countries to attain that objective.

67. Non-tariff barriers to market access placed increasingly onerous burdens on exporting countries, particularly the poorest among them, undermining their production capacity and export competitiveness. The international community should prevent abuses while preserving the right of countries to establish and

implement regulations on product safety and quality. The developing countries should also be given a greater role in defining the rules governing international trade.

68. Special and differential treatment provisions linked to development criteria rather than to arbitrary time frames should be operationalized for the benefit of developing countries, and should be binding on all WTO members.

69. As a net food importer, Morocco was disappointed that the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-importing Countries had not yet been implemented, given that food aid had decreased substantially and food prices were rising. Food security was a complex issue affecting trade and other aspects of development.

70. Her delegation welcomed the decision adopted by WTO in December 2005 concerning TRIPs and public health, which could eventually enable developing countries to manufacture generic medicines or import them from another developing country with the requisite production capacity.

71. A strategy was urgently needed to move the Doha Round forward and enable the poorest countries to benefit from international trade. Her delegation reaffirmed the commitments made at the Fourth Ministerial Conference of WTO on the need to place the needs of the developing countries at the heart of the Doha Round. It was also essential to fulfil the mandates established by the Doha Ministerial Declaration, the "July package" of 2004 and the Hong Kong Ministerial Declaration with respect to the multilateral trade negotiations. Efforts to improve the functioning of commodity markets were also required. A transparent and inclusive negotiation process, coupled with the requisite political will, were essential in order to restore confidence and achieve a positive outcome to the Doha Round.

72. **Mr. Nguyen Tat Thanh** (Viet Nam) said that it was unfortunate that unilateralism, bilateralism and regionalism appeared to be prevailing over multilateralism in trade matters. His Government would continue to focus on multilateralism, as embodied by WTO. He expressed his delegation's appreciation for the invaluable support that had been provided to facilitate his country's accession to membership in WTO, which was expected to occur soon, and its hope that such assistance would continue and increase in the future.

73. The United Nations, and UNCTAD in particular, should play a greater role with respect to global trade issues. Impartial studies by UNCTAD on the economic costs and benefits of, for example, anti-dumping and countervailing duties and other non-trade barriers, would be helpful to policymakers, particularly those of the world's major trading partners. UNCTAD should also assess the impact of the world's numerous free trade areas on both the countries concerned and those outside the areas in question. His country looked forward to joining new partnership and integration arrangements both within and outside the Asia-Pacific region. However, free trade arrangements should be viewed as supplementary channels only and should not interfere with a sound multilateral trading system.

74. His delegation called for an early resumption of the Doha Round and for an ambitious outcome based on commitments to a comprehensive and balanced package for agricultural and industrial products as well as services.

75. **Mr. Sen** (India) said that the imbalances in the international trading system remained entrenched. The developed countries had not introduced any significant reductions in agricultural subsidies, while market access for products of export interest to developing countries remained impeded by tariff peaks, escalations, specific duties, and non-tariff barriers, thereby discouraging industrialization in the developing countries. An appropriate balance between national policy space and international disciplines and commitments was required. State sovereignty was an important factor in defending livelihoods, and disciplines that eroded the autonomy inherent in policy space must be reformed.

76. While early resumption of the Doha Round was desirable, adherence to the mandates of the Doha Ministerial Declaration, the July Framework Agreement and the Hong Kong Ministerial Declaration was imperative. Food security and rural livelihoods were of immense economic relevance and had a sociopolitical dimension in developing countries. Those countries therefore must be able to designate special products and enjoy the protection of a special safeguard mechanism. He also underscored the

importance of the overarching principle of special and differential treatment for developing countries.

77. Non-agricultural market access liberalization could lead to shifts in output and employment in key sectors in those countries, resulting in job and revenue losses. The mandate of tariff flexibilities for the developing countries contained in paragraph 8 of the July Framework Agreement was therefore inviolable.

78. The greatest welfare gains from liberalizing the temporary movement of natural persons would be effective and commercially meaningful access in mode 4 for developing countries' service suppliers, which would contribute to the achievement of the Millennium Development Goals.

79. As to the trade-related aspects of intellectual property rights, agreement was needed on disciplines on the disclosure of the source and country of origin of biological resources and traditional knowledge.

80. The developed countries should honour their commitment to lower preferential rates to zero and, in particular, enhance the utilization of schemes under the Generalized System of Preferences by rationalizing rules of origin. Although India was itself a developing country, it would soon finalize a bilateral package providing preferential market access for least developed countries to the Indian market. His delegation welcomed the Aid for Trade Initiative and agreed with the Secretary-General that it must be additional to current development assistance and be secure, predictable and non-debt creating.

81. The United Nations had a central role to play in meeting the development challenges facing the international community. His country was participating actively and constructively in negotiations on the Doha Work Programme and hoped that the developed countries would address fully the concerns of the developing countries.

82. **Mr. Llanio González** (Cuba) said that an unequal and unjust multilateral trade system had prevented the developing countries from reaping the potential benefits of trade. Although trade volumes and market access had improved in the case of certain developing countries, trade volumes for the least developed countries had actually decreased.

83. The indiscriminate liberalization of the developing countries' markets combined with the neoliberal globalization process imposed by the developed countries had had devastating consequences for the national development strategies of the developing countries and had increased the gap between the rich and the poor. Furthermore, the development dimension of international trade could not be achieved through trade liberalization alone; it was also essential that countries should receive special and differential treatment in accordance with their development level.

84. Bad practices that continued to hinder freedom of trade and investment included protectionism, domestic subsidies and agricultural tariffs, subsidies to farmers, coercive economic measures, unilateral sanctions and extraterritorial laws and regulations. A case in point was the brutal blockade imposed against Cuba by the United States for more than 40 years.

85. The suspension of the Doha Round demonstrated the need to reform the multilateral system and WTO in favour of a more equitable, inclusive and transparent system. Cuba was in favour of resuming negotiations to fulfil the Doha mandates on special and differential treatment for developing countries, the needs of small and vulnerable economies, food security, rural development and so forth. However, the negotiations could be carried out only on the basis of the Doha Development Agenda, Annex A of the "July package" and the Hong Kong Ministerial Declaration.

86. As the central coordinator of trade, finance, technology and sustainable development, UNCTAD should continue to receive funding to enable it to fulfil its mandate and the new requirements and priorities established in the São Paolo Consensus.

87. **Mr. Ali** (Bangladesh) said that much of the recent growth in world trade was due to oil exports. Although the volume of non-oil exports had increased considerably, the value of those exports had not. Furthermore, it was not clear how long the least developed countries would be able to continue reducing prices to stay in the market.

88. The current multilateral trade rules had been designed to help the major traders. Existing provisions to assist developing countries were generally unusable and the Uruguay Round Agreement on Agriculture was viewed by many as a special and differential provision for developed countries to support their own agricultural industry.

89. It was essential that the Doha Round negotiations should be resumed as soon as possible and that the least developed countries should be granted duty-free and quota-free market access. The enhanced Integrated Framework and Aid for Trade Initiative were also needed to help least developed countries overcome supply-side constraints. At the domestic level, the basic challenge was to develop entrepreneurs who would create capacity and find markets for their products. Once entrepreneurs began to invest at home, their own countries would be in a position to benefit from the process of globalization.

90. *Mr. Intelmann resumed the Chair.*

91. **Mr. Miller** (United States of America) said that it was indisputable that trade liberalization and openness to trade increased economic growth in the country that was liberalizing. However, what was less understood was that the developing countries could achieve export growth and poverty reduction on their own simply by lowering tariffs and eliminating non-tariff barriers to imports.

92. Tariffs raised domestic prices above world market levels and created incentives for domestic producers to sell their products locally rather than on the world market. They also allowed producers to be less efficient and therefore less competitive. Protection reduced the demand for foreign currency and drove up exchange rates, creating a further disincentive for exports. Those effects harmed everyone in an economy and the poor in particular.

93. The United Nations should support trade liberalization by the Governments of developing countries. UNCTAD could advise those countries with respect to adjustment costs, which were typically short-term and could be mitigated by social safety nets or other programmes. For many developing countries, special and differential treatment amounted to little more than a continuation of economic relationships rooted in the colonial past. It was important to focus on policies that really worked, such as liberalization, and to help the developing countries reap the benefits of sound economic programmes in a globalizing world.

94. **Mr. Liu** Zhenmin (China) said that the gap between the North and the South continued to widen, despite recent progress in globalization and global economic recovery. Rising protectionism and increasing imbalances in world economic development continued to pose a formidable challenge to the development of poorer countries.

95. The Chinese Government had always supported the establishment of an equitable and non-discriminatory multilateral trading system and was gravely concerned at the deadlock in the Doha Round negotiations. It called for an early resumption of talks and hoped that the developed countries would be more flexible with respect to reducing trade-distorting domestic support to agriculture and lowering tariffs. WTO played an indispensable role in improving the stability of the world trade environment and China would continue to take a constructive part in its work. Finally, the Chinese Government expected UNCTAD to develop more relevant policy recommendations that took into account the new issues facing the developing countries.

96. At the national level, his Government was in the process of implementing an eleven-year plan to open sectors such as tourism, telecommunications, transport, accounting and legal services and banking. Following its accession to WTO, it had reduced tariffs and had removed non-tariff measures across the board. The Government remained committed to the path of peaceful development and to a policy of trade cooperation for mutual benefit.

97. **Mr. Barry** (Senegal) said that the suspension of the Doha Round negotiations had demonstrated the inability of nations to establish solid trade rules that gave priority to the development of poor countries. The current deadlock was jeopardizing the achievement of equitable liberalization and higher trade volumes for developing countries and increased the risk of protectionism and deindustrialization as a result of export constraints and increased competition from the products of developed countries. Senegal was all the more concerned that the main stumbling block concerned agriculture, since the latter was central to its economy. It was essential that negotiations should be resumed and the Doha Work Programme relaunched.

98. Senegal agreed with the Secretary-General that trade liberalization alone could not foster development and that developing countries needed accompanying measures. Such measures could be applied by strengthening the productive capacities of the least developed countries through the enhanced Integrated Framework and the Aid for Trade Initiative. Senegal was therefore pleased that WTO was implementing the

enhanced Integrated Framework with the support of the World Bank and other international organizations. The Aid for Trade Initiative should aim to help developing countries build the supply-side capacity and trade-related infrastructure needed to implement and benefit from WTO Agreements and expand their trade.

99. **Mr. Baird** (Australia), speaking on behalf of the Cairns Group of countries, said that the Group was deeply disappointed at the suspension of the Doha Round negotiations. Talks should be resumed no later than November 2006 as the gains secured to date could be lost and the costs of continued delay would be borne by farmers and rural communities. The failure to conclude an agreement on agriculture modalities was the result of significant gaps in positions on both domestic support and market access. Genuine policy reforms in both pillars were needed to deliver real change in global agricultural markets. The European Union, the United States, the Group of Ten and others needed to improve their offers on market access and domestic support to establish the basis for the early resumption of negotiations. Substantial efforts would be required with regard to market access in particular. The Cairns Group was resolved to establish convergence on special products and the special safeguard mechanism in order to provide greater definition to those instruments, in accordance with the mandates and the Group's objectives.

100. Finally, the Cairns Group recognized the importance of special and differential treatment for developing countries and was committed to achieving a strong outcome to the Doha Round for agriculture, in all three pillars, in order to provide the best possible conditions for sustainable development.

*The meeting rose at 1.05 p.m.*